

Current Issues for Beef Producers

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(24 minutes)

Thank you, Kelly (Lenz). I'm glad to be with you this morning to talk about COOL and the National Animal Identification System. I also want to mention a few other issues of interest to cattlemen. Then we'll have some time for questions.

COOL

Let's start with Country of Origin Labeling, or COOL. As you know, the new farm bill continues the requirement of the 2002 legislation that calls for labeling for most red meat and produce. After extensions, the date set for labeling for meat is September 30, 2008, which remains the deadline in the *Food, Conservation and Energy Act of 2008*. (Labels for fish and shellfish have been required since April 2005.)

The new legislation does make some changes in COOL, such as adding chicken and goat meat as well as macadamia nuts, pecans and ginseng. It also specifies three possible labels—domestic, foreign, and “may be of mixed or multiple origins.” The amendments for ground meat items call for a “list of all reasonably possible countries of origin.” Also, any commodities derived from animals in the U.S. on or before July 15, 2008 will be considered to be of U.S. origin.

In addition, the 2008 bill changes the recordkeeping requirements under COOL to indicate that “normal course of business” records and producer affidavits may be used for verification. Further, the new statute reduces civil penalties per violation from \$10,000 to \$1,000.

The Agricultural Marketing Service worked very hard on the COOL regulations and published them on August 1 as an interim final rule to enable everyone to meet the September 30 deadline. We're keeping this rule simple and practical and requiring labels only on products produced or packaged after September 30. That

should provide time for commodities already in the chain of commerce to clear the system. Further, during the first six months under the new rule, AMS will be conducting an industry education and outreach program to be sure everyone understands the new COOL requirements.

That's COOL in a nutshell. But let me go into just a little more detail on the producer's role in COOL.

First of all, livestock producers are not directly regulated by COOL—the focus is on labeling at retail. But, of course, producers are the ones who know the origins of their animals. So they will need to provide this information to whoever purchases their livestock so that the information moves forward with the animals and the meat right on along the market chain.

Our goal at USDA is to make this a simple and easy process with as little burden on everyone as possible. Toward that end, the rule says that a producer affidavit is sufficient proof of the animals' origins. This is a simple statement from you attesting to the animals' origins.

There are just two requirements: that the person who signs the affidavit has firsthand knowledge of the origin of the animals and that the affidavit identifies the animals unique to the sale. This evidence could include a tag ID system along with other information such as the type and sex of the livestock, the number involved in the transaction, the date of the transaction and the name of the buyer. Hence, the added value of NAIS—and we'll talk about that in a minute.

Other records that a producer could use for verifying animal origins include birth records, receiving records, purchase records, animal health papers, sales receipts, animal inventory documents, feeding records, APHIS VS forms, segregation plans, state brand requirements, breeding stock information, Beef Quality Program papers, etc.—you get the idea. All these are what the legislation means when it refers to “normal course of business” records—nothing new or unusual. Ultimately, packers will determine what they want to see as sufficient documentation—with one exception—and that's NAIS.

Participation in NAIS guarantees a “safe harbor” for COOL. This is specifically mentioned in the new rule as meeting requirements for substantiating country of origin designations—either by individual identification or group lot.

If you sign up your premises, tag your animals and trace their movements, you will have a clear, simple record of the history of your livestock and will automatically have the information your purchaser or packer needs. While NAIS was created to help safeguard animal health, producers who participate will have an easy system to provide the information required for COOL that's guaranteed to be acceptable to the folks buying and processing your beef.

NAIS

Let me turn now to NAIS and give you just a brief update on where we stand. I think everyone here is fully aware of the value of a modern, up-to-date animal ID system—and the improvements it can bring when we need to respond to an outbreak of a serious animal disease. NAIS will help put traceability data within our hands within 48 hours of an outbreak, significantly reducing the time needed to conduct disease investigations. That's the idea behind "Locate in 48" which you have here in Kansas. Getting NAIS in place will enable us to better protect the \$80 billion U.S. livestock industry.

We are moving forward, and the good news is that the initial two components of NAIS—premises registration and animal identification—are fully operational. We have also deployed the third component—animal tracing, which will continue to evolve as we work to fully integrate both external and internal databases. So we are focusing resources on each individual component as well as advancing the NAIS program as a whole.

Premises Registration

The first step, of course, is premises registration. We now have more than 477,000 premises registered—out of 1.4 million. That's about a third, so we've come a long way, but we still have significant ground to cover.

Getting beef producers committed to NAIS is one of our greatest challenges. When it comes to the various species, we have the furthest to go with beef cattle to reach our goal of critical mass—70% participation by December 2009. So we particularly need you and your fellow ranchers to sign on, if you haven't already.

And I have to tell you that Kansas has a ways to go on NAIS. I don't know why, whether it's privacy concerns or just a wait-and-see approach, but this is a critical program, and every one of you needs to be part of it.

So far, you have only 6,049 premises registered—just over 15 percent of your 39,000+ farms and ranches. That puts you in the bottom one-third of states nationwide. So, there's plenty of room for improvement.

Registering your premises is easy. It's simple. It's the right thing to do. I've done it, and so should you. If you have questions, please see me or see the Kansas state coordinator—Bryan Rickard. We'd be happy to talk with you.

NAIS is a partnership effort, so we've been working closely with states and industry organizations to develop and implement animal ID. We've also been preparing materials to reach out to private practice veterinarians to provide information they can share with producers on NAIS. We're involving our Area Veterinarians in Charge with reaching critical control points such as

- Fairgrounds and rodeos
- Import/export facilities
- Markets & Dealers
- Slaughter plants and renderers
- Semen collection and embryo transfer facilities
- Veterinary clinics with large animal practices, and
- Licensed food waste swine feeding operations

We're also now using the premises identification number or PIN in our disease programs. Incorporating the NAIS standards across our own programs is simply good business practice. With the help of the PIN working group, which has been planning implementation details, we intend to begin this effort this fall.

We're committed to doing everything we can—bringing every resource and partner to the table—to encourage producers to register their premises. It's going to pay off for everyone.

Animal Identification

At the same time, we're also moving forward on animal ID. Thus far, we have approved 18 identification devices from seven manufacturers. Fifteen of these are RFID eartags, and we've received applications for several visual-only 840 tags from two manufacturers. Visual 840 tags will help us better meet the needs of industry programs as well as the current preferences of some producers.

Nearly 4.2 million 840 tags have been shipped so far. States are purchasing an additional 372,000 tags for use in their programs. Within the next year, we estimate 6 to 10 million animals will be wearing an NAIS tag—so that's a huge step forward.

APHIS has purchased 1.5 million 840 ID tags for livestock enrolled in our animal disease programs as part of our effort to integrate NAIS with these systems. We've distributed about 210,000 of them—mostly to California to support bovine TB testing, and we expect to send an additional 50,000 to California shortly.

We've also begun work on a rule that would transition from the multiple numbering systems we now have to make the 840 number the official animal identification number. This proposal would set up a systematic process to avoid conflicts with existing tag inventories and animals currently identified with other devices.

Step up to 840

In addition, this summer we're focusing particularly on promoting animal identification under NAIS with a campaign we're calling "Step Up to 840." We'll have a variety of materials to share with producers that stress that 840 is the ID solution that can both safeguard animal health and also work for business opportunities. Producers can use one ID number for marketing alliances, source and age verification programs, breed registries and performance recording.

The idea is that an 840 ID is a single number that can be used in place of silver metal ear tags and orange metal brucellosis tags. It's an official number that can be used on health certificates and for other purposes.

Tracing

We're making progress on the third component as well—tracing. APHIS developed a business plan last fall that identified a series of seven strategies to increase traceability, and we are implementing those now.

Further, the agency is working with about 20 states and private organizations that operate Animal Tracking Databases. APHIS is also drafting proposed regulations, as we noted in the traceability business plan that would require the first point of import and the first point of export to be registered premises. This will be a significant step in improving traceability.

This summer, APHIS launched a new system using Google mapping technology that will enable our staff to quickly map locations near a suspect herd. With this program, we can draw a ring around an infectious herd and quickly find neighboring herds within a specified distance—another enhancement for tracing.

In addition, as I mentioned, we're working to integrate our disease programs with NAIS. Toward that end, our new TB Mobile Information Management System is now up and running.

This system increases accuracy and saves time for us and for producers by using readers to scan animal ID tags and get the data into a PDA—in about 2 seconds or less. With this technology, it's easy to determine which animals have been injected and to be sure you're doing a complete job. Our next project under development supports the brucellosis program, and we conducted preliminary testing of the Brucellosis Mobile Information Management process last month at five sites in Wyoming.

Food and Fuel

I want to turn now to a topic that's concerned many across the nation—feed and fuel prices. One often-stated view is that biofuels—the new kids on the block—are the main culprit for higher corn and soybean prices here in the U.S. In fact, USDA economists estimate only about 30 percent of the increase in corn prices and 40 percent of the increase in soybean prices over the past two years can be linked to increased production of biofuels.

On the other hand, higher energy prices—the nearly 90 percent rise in the world price of oil over the last year—affect prices for everything. This steep increase in oil prices has raised the cost for everything from fertilizer to processing to transportation.

Our economists have determined that taking biofuels out of the U.S. energy portfolio would do nothing to blunt the impact of higher oil prices on agriculture or

any other sector of our economy. In fact, removing biofuels would simply mean higher energy costs for everyone.

The Department of Energy calculates that—because of lower costs and tax credits—blending ethanol into gasoline reduces the price of a gallon of gas by 20 to 35 cents per gallon. This saves a typical U.S. household \$150 to \$300 per year. For the nation as a whole, those savings amount to between \$28 billion and \$49 billion a year.

Biofuels also generate environmental benefits and contribute to U.S. energy security by reducing our dependence on imported oil and our vulnerability to future price shocks or supply disruptions.

Part of the good news in the new farm bill is that it includes more than \$600 million in new mandatory funding for renewable energy programs over the next five years. And that's on top of the \$35 million that we're spending today for woody biomass research and renewable energy. It creates a new biomass crop assistance program to help producers who want to grow biomass crops and also to develop conversion facilities.

However, over the next few years, we'll have to make some adjustments to the way we've done things in the past, and USDA stands ready to do all we can to help producers deal with market conditions such as higher feed costs.

In July, we announced we would allow emergency haying and grazing on Conservation Reserve Program acres in those parts of the Midwest affected by flooding. We are continuing to review the market situation to be ready to respond as needed.

Conclusion

In closing, I want to encourage you once again to sign up for NAIS—both to safeguard your animals and to enjoy additional marketing benefits, such as having a clear record to substantiate designations under COOL. And I want to also reiterate USDA's willingness to work with you as you raise and market your beef.